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C O N F I D E N T I A L BRASILIA 000387

CONFIDENTIAL

FOR WHA A/S Shannon, WHA/BSC, EEB/ESC, NEA/IR  
FOR DOE CGAY, GWARD, RDAVIS

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TAGS: ECON ENRG PREL PINR SCUL BR IR

SUBJECT: IRAN MAKES ENERGY OVERTURES IN BRAZIL

REFTELS: A) Brasilia 304 B) Rio de Janeiro 42, C) Rio de Janeiro  
52,D) 08 Brasilia 1543

Classified By: DCM Lisa Kubiske, Reason 1.4 (b) and (d)

¶1. (C) Summary: Iranian Foreign Minister Manouchehr Mottaki, during his March 25 - 26 visit to Brazil, sought opportunities for creating energy partnerships with Brazil. He was received cautiously by the Brazilian Ministry of Mines and Energy (MME) at a meeting in which they discussed many opportunities for building relationships, including possible commercial cooperation in fertilizers, electrical investments in third countries, energy investments by Iran in Brazil, and Brazilian energy projects such as hydropower in Iran. The two sides also discussed the possibility of exchanging trade missions and presidential visits. No agreements were reached. The Ministry of Mines and Energy, though open to new ideas was "reticent" in their dealings with the delegation, noting that the Ministry of Foreign Relations would have to approve any relations between the two countries. Iranian FM meetings with President Lula and FM Amorim will be reported septel. END SUMMARY

¶2. (C) Minister of Mines and Energy Edison Lobao received the visiting delegation of the Iranian Foreign Minister on March 25 and MME's Under Secretary for Petroleum, Gas, and Renewable Fuels, Jose Lima Neto, hosted a follow up meeting the next day. International Affairs Advisor at MME, Helena Claudia Cantizano, attended both meetings and told Econoff that many possibilities were discussed but no agreements were reached. The entire conversation from the MME side was caveated with the fact that any cooperation would require approval from the Ministry of External Relations (MRE) and Cantizano called the Brazilian tone "reticent." She acknowledged that any conversations with the Iranians were quite complicated and implied that while MME was open to cooperating with the Iranians, they were conscious of sanctions and would be careful not to undertake any commitments without the approval of MRE. (NOTE: Cantizano spoke generally regarding "sanctions" without specifying whether she was referring to UN and/or US measures). She said that "MRE will set the limits . . . we will wait for a signal from them as to how to proceed." (MRE meetings and others to be reported septel as information becomes available). However, Cantizano reassured, "we're definitely not going to do anything nuclear with them!"

¶3. (C) During the meeting with Lobao, Cantizano reported, the Iranians pushed for more Petrobras involvement in Iran. Lobao demurred, saying that the current structure required Petrobras to come in solely as a service provider which was not attractive when they were assuming the risk for exploration. Lobao then indicated that for there to ever be any interest on the part of Petrobras in more operations in Iran, the Iranian constitution would have to be changed to allow for a different type of structure that would reward the risk inherent in oil exploration. (Note: There is no indication this is in the offing and Petrobras CFO definitively confirmed to Ambassador Sobel in early March that Petrobras has no plans in Iran beyond fulfilling their current contracts - Reftel A. Petrobras has previously indicated that they have no interest in expanding in Iran in part because it would not serve their business interests as a publicly traded company on the New York Stock Exchange. There are no

indications that if Iran made this constitutional adjustment that this would change Petrobras' position. End note.) Lobao offered that fertilizers might be a possible area of interest for Petrobras in Iran.

¶3. (C) The Iranians expressed their interest in the Brazilian electrical company Electrobras, particularly in Electrobras projects selling electricity to Brazil's neighbors. The Iranians indicated that they have money to invest and would like to explore undertaking joint electricity projects in third countries. They specified an interest in Africa (NOTE: Development in Africa is a primary interest of President Lula's and the GOB has advocated the United States and Brazil jointly pursuing energy development assistance in Africa under the auspices of our Biofuels MOU) and in particular indicated that Mauritania might be promising. They also welcomed Brazilian development of energy projects in Iran, citing a specific interest in hydropower. Further, the Iranians suggested they would like to invest in energy projects, specifically electricity generation, within Brazil. Cantizano noted that since over 70 percent of the Iranian energy sector is state-owned, the Iranian delegation did not appear to have a concept of how a more liberalized energy sector operates. They were apparently surprised to learn that electricity provision in Brazil is contracted via an auction process. Lobao informed them that while it could be possible for Iran to explore investing in Brazil's electrical sector, any contracts to provide electricity would be handled through the auction process and there are no guarantees of the outcome.

¶4. (C) The two sides then discussed the possibility of future exchanges. The Foreign Minister invited Lobao to visit Iran and Lobao responded that he would need to check his calendar. They then expressed mutual interest in a Presidential visit, either in Iran or Brazil (Note: according to ref D, Mottaki's reciprocal visit was a necessary precursor to a presidential meeting. End note). They also discussed the possibility of exchanging trade missions, which Brazil noted would have to be decided by MRE.

¶5. (C) Cantizano reports that the meeting with Jose Lima Neto the following day was a repeat of the previous day's conversation with the added detail that Iran would send a follow up letter to detail their interests in a possible trade mission, specifically what sectors they would hope to receive in Iran and possibly send to Brazil.

¶6. (C) COMMENT: Cantizano conveyed the impression of a less than completely professional approach on the part of the visiting Iranian delegation. She notes that although MME had requested an agenda for the meetings, the Iranians never followed through on promises to provide one. After having requested that MME make an appointment for them with Electrobras in Rio, which MME did, the Iranians never showed up for the appointment. (Note: according to Iranian press reports, the delegation flew to Caracas after their meetings in Brasilia). The fact that this meeting with the Brazilian Energy Minister took place, rather than any expectation on either side of a substantive result, may have been the desired policy outcome from both GOB and Iranian perspectives. Brazil has been very careful to adhere to all UN sanctions and we believe they will continue to do so. Readouts from MRE and Planalto meetings will provide important context and will be provided septel. END COMMENT.

SOBEL